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GCA of Hawaii
GENERAL CONTRACTORS ASSOCIATION OF HAWAII
Quality People. Quality Projects.

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April 2, 2012

TO: HONORABLE REPRESENTATIVES MARCUS OSHIRO, MARILYN LEE, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON FINANCE

SUBJECT: **OPPOSITION TO S.B. 3048, SD2 & RECOMMENDED AMENDMENT, RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES.** Provides an employer tax credit of 4.5 per cent of the wages paid by a qualified employer to certain employees for seven years after completion of hotel and resort construction and renovation; provides a general excise tax exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after substantial completion of construction and renovation; requires construction and renovation of a hotel facility or resort facility to be completed by 6/30/2017 to be eligible for the exemption; employer tax credit applies to taxable years beginning after 12/31/2011; hotel and resort construction and renovation general excise tax exemption applies to taxable periods beginning after 7/1/2050. (SD2)

HEARING

DATE: Monday, April 2, 2012
TIME: 2:00 P.M.
PLACE: Conference Room 308

Dear Chair Oshiro, Vice Chair M. Lee and Members of the Committee:

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is celebrating its 80th anniversary this year; GCA remains the largest construction association in the State of Hawaii. **GCA is in opposition to S.B. 3048, SD2, Relating to Taxation, particularly page 7 Lines 10-14, which we recommend should be deleted in its entirety because such terms of an agreement should be made voluntarily and not mandated by the government. Upon removal of Line 10-14 on page 7, GCA would support this measure.**

We respectfully recommend that the following language be deleted:

~~[and (2) The general contractor and any subcontractors of the construction or renovation are signatory parties to collective bargaining agreements with the appropriate construction trade unions covering construction work in the State of Hawaii.]~~

S.B. 3048, SD2 includes two parts which propose to provide a stimulus, through tax relief as follows: (1) Employers can receive tax credit of 4.5 per cent paid by qualified employer to certain employees for seven years after completion of hotel and resort construction and renovation; and (2) Provides a general excise tax (GET) exemption for hotel and resort construction and renovation and for the operation of these hotels and resorts for seven years after substantial completion of construction and renovation. However, this bill also mandates that in order to qualify for the GET exemption the general and any subcontractors must be signatory parties to a collective bargaining agreement.

GCA **requests that Lines 10-14 on page 7 be deleted** because it is interfering with private projects and private negotiations between parties involved in a project that involves no government financing. Terms of an agreement should be voluntary and not mandated. GCA understands the intent behind the bill in providing an incentive for hotel owners and developers to benefit from this GET exemption for a period of seven years, however to tie a general contractor's hands by requiring them to be a signatory to a collective bargaining agreement is unnecessary and could be a potential roadblock to hotel construction and renovation for many local companies and may deter some private contractors from taking on such a project.

Entering into terms of a collective bargaining agreement **should be voluntary and not mandated by the government**. In the practice involving use of union labor, contractors and/or subcontractors and building trade unions mutually agree, they then negotiate mutually acceptable terms and conditions to be used as the basis for bidding and performing the work. However, a government mandated labor agreement is not optional and is often motivated by political considerations.

For the abovementioned reasons, **GCA opposes S.B. 3048, SD2 as currently drafted and respectfully requests that this Committee delete Lines 10-14 on page 7**, upon removal of this particular section, GCA would be in support of this measure.

Thank you for the opportunity to present our views on this bill.

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance
State Capitol, Honolulu, Hawaii 96813

RE: SB3048 SD2, Relating to Travel and Tourism Stimulus Incentives – SUPPORT
Conference Room 308, April 2, 2012, 2:00 PM (Agenda #1)

Aloha Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Keith Vieira, senior vice president of operations for Starwood Hotels and Resorts (“Starwood”) in Hawai’i and in French Polynesia. Mahalo for the opportunity to offer testimony in support of this bill which is intended to provide an incentive for hotel construction and renovation.

We believe this tax credit will help to stimulate additional construction resulting in a multiplying effect for the GET, personal income and corporate income taxes. We also support the consideration of this improvement tax credit in conjunction with a mix of other state and county incentives to stimulate construction, the creation of new jobs and the increase of operations for the state’s travel and vacation industry.

Our visitor arrivals are recovering from previous years of economic downturn, which led many hotels to decrease room prices and to offer other incentives in order to remain competitive among other destination markets. In the meantime, our fixed costs have not diminished while the cost of doing business in the state significantly spiked. We are paying more in transient accommodations taxes, the cost of utilities continues to rise and we are paying some of the highest county property tax rates in the nation. We are doing the best we can, but the squeeze in added costs to our industry at this time is overly burdensome.

We know our inventory needs renovation and rejuvenating. On average our visitor facilities are more than 40 years old. Hawaii must continue to compete aggressively for the tourist dollar against other destination markets that have upgraded their inventories. That’s why this improvement tax credit is a welcome relief to our beleaguered hospitality industry.

In order for us to market Hawaii to be sustainable as the largest long-haul leisure destination, we need to invest funds in marketing to take advantage of increasing airlift out of Asia, a lackluster demand for cruises and currency growth overseas. In comparison to other leisure destinations, Hawaii is susceptible to changes in global economies, the cost of oil, airlift and other factors that impact our market. Therefore, when we see markets developing in new destinations and we need create and to sustain momentum to support this grow.

In closing, as the cost of marketing continues to go up 4-5% each year, we also need to maintain growth in marketing funds that matches the growth.

For these reasons, we urge the committee's support for this bill.

Sincerely,

Keith Vieira
Senior Vice President of Operations
Starwood Hotels and Resorts - Hawai'i and French Polynesia



American Resort Development Association

LATE

April 2, 2012

TO: HOUSE COMMITTEE ON FINANCE
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

FROM: Daniel Dinell
ARDA – Hawaii, Chair

RE: SB 3048, SD2, Relating to Travel and Tourism Stimulus Initiatives
Position: Support

Dear Chair Oshiro, Vice Chair Lee and members of the Committee:

ARDA-Hawaii is the local chapter of the American Resort Development Association, the national timeshare trade association, comprising of over 20 local members with 45 properties statewide. In the aggregate the timeshare industry comprises approximately 12% of the visitor units throughout the state.

ARDA-Hawaii supports SB 3048, SD2 which provides a general excise tax exemption for hotel and resort construction and renovation and a tax credit for employee hiring. The fact that the bill includes timeshare projects and properties is welcomed.

Timeshare has been and continues to be a good product for the State of Hawaii. In fact, the timeshare sector has and continues to outpace the State's overall visitor industry by two key measures: annual occupancy rates and investment in new construction. Consistent and resilient occupancy rates of timeshare properties continue to help stabilize hotel occupancy levels and mitigate negative economic impacts during periods of uncertainty. Timeshare is an important component of a diversified visitor industry and this bill helps to support our State's #1 industry.

While Hawaii continues to attract its share of visitors, we are all too well aware that to continue to be a premiere resort destination depends on our ability to regenerate ourselves and offer a quality experience to our visitors, which includes the physical infrastructure. SB 3048, SD2

provides the private sector with investment incentives to develop new and improve existing visitor properties throughout the State.

ARDA-Hawaii strongly supports passage of this bill. Thank you for the opportunity to submit these comments.

"Timeshare With Aloha"